Industrial Market Czech Republic

Q2 2024

A regular quarterly update of logistics and industrial market in the Czech Republic

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Total stock

12.2 m sq m

New supply Q2 2024

131,100 sq m

Under construction

1.35 m sq m

Vacancy rate

3.5%

In Q2 2024, the total lettable modern warehouse and industrial area exceeded 12.2 million sq m.

New supply reached 131,100 sq m, the highest volumes of new completions were recorded in the Central Bohemian Region (45%) and the Greater Prague area (28%).

In total 1.35 million sq m were under construction, with the largest construction taking place in the Karlovy Vary Region (29%).

The vacancy rate increased again to 3.5% in Q2 2024. The vacancy rate in the Greater Prague area also increased to 2.0%.

In Q2 2024, the current rental range for warehouse and industrial premises was at the level of €4.70 - 8.00 sq m/month.

In Q2 2024, gross take-up reached almost 436,500 sq m, 33% of which were renegotiations.

„The vacancy rate has been rising continuously since the end of 2022. In the second quarter of this year, it reached a level of 3.5%, with the last higher vacancy rate recorded in the first quarter of 2021.

The vacancy rate is also increasing in locations with traditionally low vacancy rates - in the Greater Prague area or in the South Moravian Region.

The supply of rental space is increasing, with more warehouses in "shell & core" condition. These market conditions create pressure to make rental conditions more attractive. However, we should not expect a drop of several EUR units, but rather an increase in incentives from developers, greater flexibility in lease terms and other commercial aspects.

The gap in rental rates between regions is beginning to widen again, just as it did before Covid, when a shortage of space caused an increase in rents across the board.

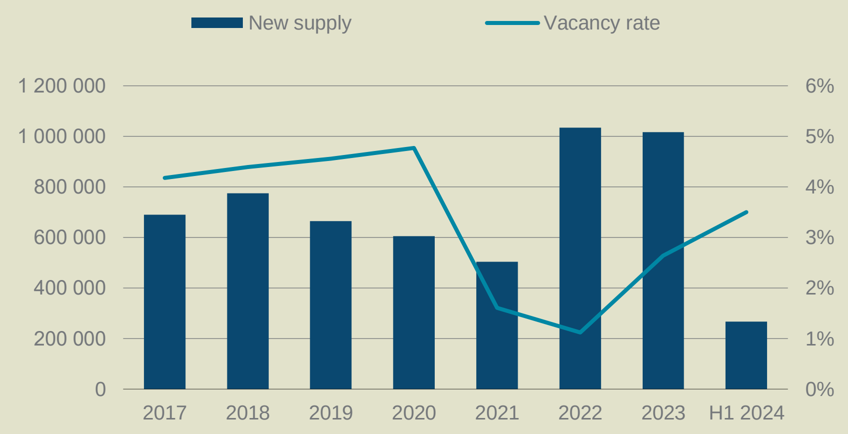
There is a lot to choose from, so I highly recommend reviewing current contracts.

The industrial real estate market is thus undergoing stabilization and a return to a healthy competitive environment after the Covid period."

MARKÉTA VRBASOVÁ
DIRECTOR, HEAD OF INDUSTRIAL & LOGISTICS

New supply and vacancy rate

sq m, %



Source: Knight Frank Research

12,200,000 sq m

In Q2 2024, the total lettable modern warehouse and industrial area exceeded 12.2 million sq m.

INDUSTRIAL MARKET OVERVIEW

In Q2 2024, the total lettable modern warehouse and industrial stock exceeded 12.2 million sq m. The Greater Prague area, which represented 29% of the total supply, remained the largest logistics market. The Plzeň Region took the second position with 15%, and the South Moravian Region took the third place with 12%. This was followed by the Moravian-Silesian Region with 10%, the Central Bohemian Region with 8% and the Ústí nad Labem Region with 7%.

In Q2 2024, 131,100 sq m was newly completed in 10 industrial parks, 48% less year-on-year. Compared to the previous quarter, it was 3% less. New premises were completed in six regions, most in the Central Bohemian Region (35%), in the Greater Prague area (28%) and the Plzeň Region (19%). The number of buildings in the shell & core state has increased again.

The largest completed projects in Q2 2024 were two halls in CTPark Cerhovice with 19,800 sq m and 18,300 sq m, which were fully let at the time of completion. This was followed by a hall in the Smart Zone Mikulov with a lettable area of 16,000 sq m, which was partially let to an undisclosed company.

At the end of Q2 2024, 1.35 million sq m of warehouse and industrial space (including projects in the shell & core state) were under construction. The largest construction took place in the Karlovy Vary Region (29%), followed by the Plzeň Region (14%) and Moravian-Silesian Region (13%), where the speculative construction of four new halls (120,000 sq m) began in the Ostrava Airport Multimodal Park. Other regions with a higher share of construction included the Ústí nad Labem Region (10%), the Greater Prague area (8%) and the South Moravian Region (7%).

The vacancy rate rose again to 3.5% in Q2 2024, up from 3.0% in the previous quarter. The last time we recorded a higher vacancy rate was in Q1 2021. The vacancy rate has been rising slowly since the end of 2022. The vacancy rate in the Greater Prague area has also increased to 2.0%. Compared to the previous quarter, the vacancy rate increased most in the South Moravian Region by 2.5 percentage points, and the Greater Prague area by 0.8 percentage points. It also rose slightly by 0.5 percentage points in the Moravian-Silesian Region and by 0.3 percentage points in the Ústí nad Labem Region. Only in the South Bohemian Region did the vacancy rate decrease by 7 percentage points. In the other regions the vacancy rate remained more or less unchanged.

RENTS

In Q2 2024, the current rent range for warehouse and industrial premises in the Czech Republic was at the level of €4.70 - 8.00 sq m/month.

The average current rent decreased by 3.8% year-on-year in Q2 2024. The year-on-year decrease occurred in eight regions, the most in the Olomouc / Zlín Region by 13%, in the Vysočina Region by 12% and in the Plzeň Region by 6%. Thus, the gap between regions in the in rental levels is starting to widen again, just as it was before the Covid pandemic, when the lack of space caused a general increase in rent. There was no year-on-year increase in any of the regions. In the other regions, the current rent remained stable.

Current Rent Range

€4.70 – 8.00 sq m/month

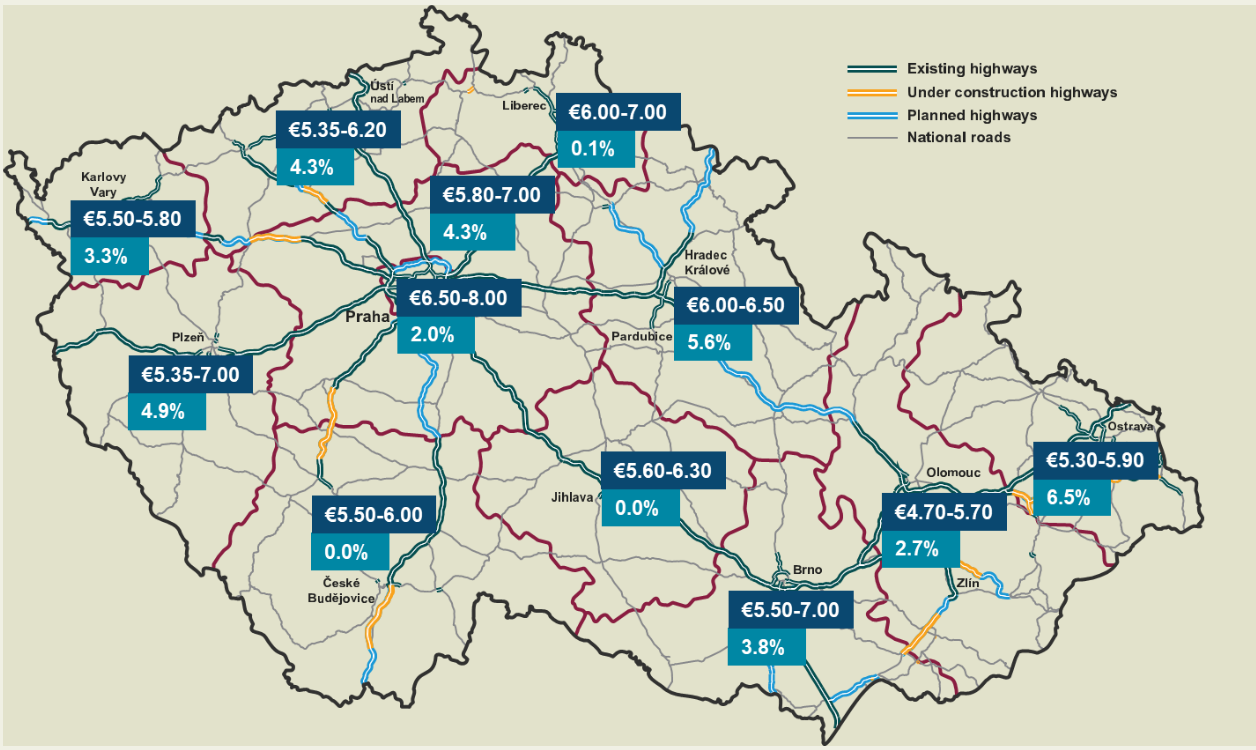
INVESTMENT

In the first half of this year, the prime industrial yield stayed unchanged at 5.00%. In Q2 2024, industrial properties accounted for 30% of the total investment volume of more than €160 million.

Prime Industrial Yield

5.00%

VACANCY RATE AND CURRENT RENT*



*Rent / price range offered on the market in class A premises for an area of 4,000 - 5,000 sq m in Q2 2024 prior to incentives application

TAKE-UP

In Q2 2024, the gross take-up reached 436,500 sq m. Gross and net take-up was significantly influenced by one confidential pre-lease in the Moravian-Silesian Region for more than hundred thousand sq m.

Compared to the previous quarter, gross take-up increased by 177%. In a year-on-year comparison, however, it fell by 26%.

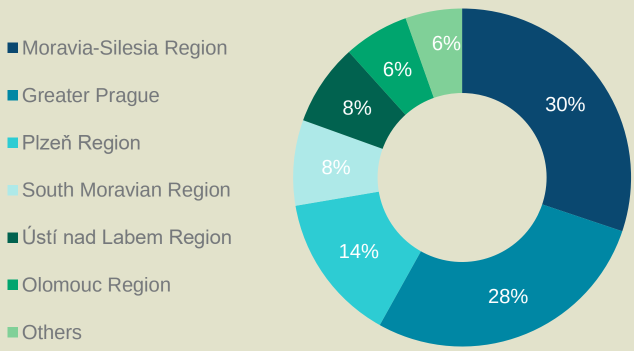
The share of renegotiations represented 33%. The largest renegotiation was concluded with an undisclosed logistics company in the P3 Prague D1 industrial park for 36,400 sq m, followed by a renegotiation with another undisclosed manufacturing company in CTPark Bor for 23,600 sq m.

In Q2 2024, the largest volume of gross take-up was recorded in eight regions. The most in the Moravian-Silesian Region (30%), precisely thanks to the confidential pre-leasing mentioned above, then in Greater Prague area (28%), where the share of renegotiations dominated, and in the Plzeň Region (14%).

In Q2 2024, net take-up increased by 7% year-on-year and reached 294,600 sq m. Compared to the previous quarter, it increased by 188%. The Moravian-Silesian Region (45%), Greater Prague area (14%) and the Ústí nad Labem Region (12%) contributed the most to net demand.

Gross Take-up by Regions

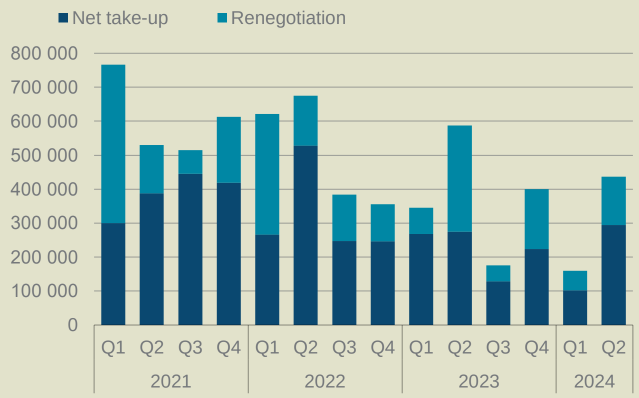
Q2 2024, %



Source: Knight Frank Research

Quarterly Take-up

sq m



Source: Knight Frank Research

TAKE-UP		CHANGE	
Q2 2024		Y/Y	Q/Q
Gross	436,500 sq m	-26%	+177%
Net	294,600 sq m	+7%	+188%

SIGNIFICANT NEW LEASES IN Q2 2024

PROPERTY	TENANT	SIZE (sq m)	DEAL TYPE
Confidential in Moravian-Sileasian Region	Confidential	> 100,000	Pre-lease
Panattoni Park Chomutov North	Confidential	30,700	Pre-lease
P3 Prague D8	Confidential	26,600	New lease

MARKET NEWS

- ✓ The largest investment transaction in the industrial segment was the joint venture transaction between VGP and Areim Pan-European Logistics Fund. The transaction includes a total of 17 logistics buildings in 10 VGP parks. The listed parks and buildings are located in Germany (6 parks, 8 buildings), the Czech Republic (3 parks, 5 buildings) and Slovakia (1 park, 4 buildings).

- ✓ The most significant transaction of individual industrial premises was the acquisition within Panattoni Park Chomutov North, occupied by Jungheinrich. The new owner is Patria investiční společnost.

- ✓ Industrial developer P3 Logistic Parks has announced the acquisition of a 30,500 sq m stand-alone building located in the immediate vicinity of the existing P3 Prague D8 Park, a sale and leaseback to VF Corporation.

- ✓ Together with its tenants, VGP is committed to more sustainable and energy-efficient projects. An ideal example is the recently approved photovoltaic power plant on the roof of Drylock's newest hall in VGP Park Hrádek nad Nisou, with a surface area of 28,000 sq m and an output of 2,811.9 kWp. Its connection to the public distribution network took place in May 2024. Sustainability and energy self-sufficiency of the portfolio being built are among the main goals of the VGP.

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GREATER PRAGUE

TOTAL STOCK	NEW SUPPLY Q2 2024	UNDER CONSTRUCTION	VACANCY RATE
3.54 m sq m	37,000 sq m	107,400 sq m	2.0%

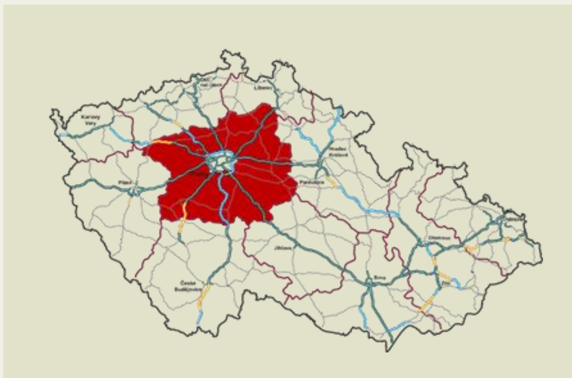
- Prague is a central point of all highway routes and is also an important international railway junction. Air transport including freight is provided mainly by the Václav Havel Airport Prague.
- The Greater Prague area is the largest warehouse and industrial market in the Czech Republic, it accounts for 29% of the country's total stock.
- The unemployment rate was 2.7% in June 2024.
- In Q2 2024, gross take-up amounted to 122,000 sq m, out of which net take-up represented 35%.

Current Rent
€6.50 – 8.00 **sq m/month**

CENTRAL BOHEMIAN REGION

TOTAL STOCK	NEW SUPPLY Q2 2024	UNDER CONSTRUCTION	VACANCY RATE
935,200 sq m	45,300 sq m	54,100 sq m	4.3%

- The Central Bohemian Region has the second densest (after Prague), but also the most overloaded, transport network in the Czech Republic. Main railway and road transit networks run through the region leading to the Capital City. Water transport is also present in the region.
- The unemployment rate was 3.0% in June 2024.
- No new take-up was realized in Q2 2024.

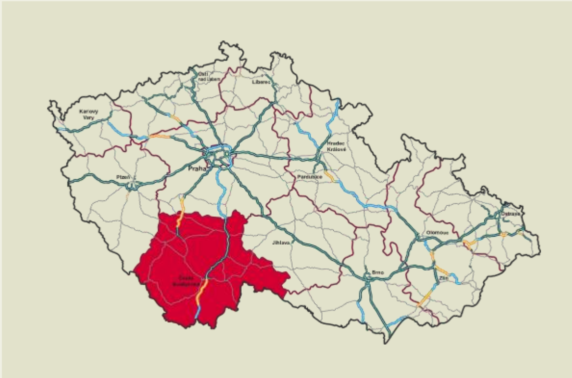


Current Rent
€5.80 –7.00 **sq m/month**

SOUTH BOHEMIAN REGION

TOTAL STOCK	NEW SUPPLY Q2 2024	UNDER CONSTRUCTION	VACANCY RATE
135,300 sq m	0 sq m	46,900 sq m	0.0%

- The region has been reporting an ever-increasing volume of traffic, particularly on the road. However, the region's territory is not connected to the network of highways within the CR. The planned and partly under construction D3 highway will connect Prague with the South Bohemian Region and further will join the highway network in neighboring Austria. The South Bohemian Region - Austrian Border section should be completed by 2026 and completion in the Central Bohemian Region by 2028.
- The unemployment rate was 2.9% in June 2024.
- In Q2 2024, gross take-up amounted to 14,600 sq m represented by new leases only.

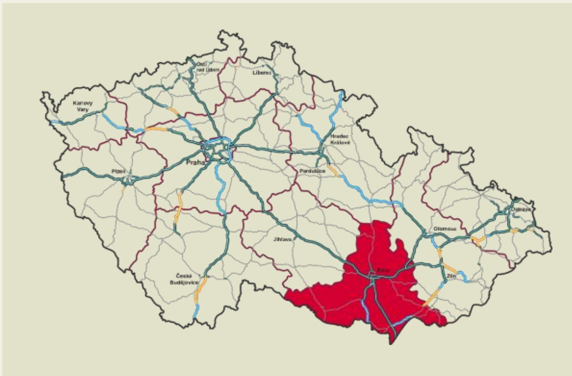


Current Rent
€5.50 – 6.00 sq m/month

SOUTH MORAVIAN REGION

TOTAL STOCK	NEW SUPPLY Q2 2024	UNDER CONSTRUCTION	VACANCY RATE
1.45 m sq m	16,000 sq m	96,100 sq m	3.8%

- The South Moravian Region has an important transit function. An important regional transport hub in the case of road, motorway, railway and air transport is the city Brno, which is situated at the highway intersection in the direction of Prague (D1), Bratislava (D2), Olomouc (D46) and Vienna (D52). However, the D52 motorway is still incomplete, and the expected opening date cannot be determined.
- The South Moravian Region is the third largest logistics market in the Czech Republic after Prague and Plzeň.
- The unemployment rate was 4.1% in June 2024.
- In Q2 2024, gross take-up amounted to 35,700 sq m, out of which net take-up represented 10%.

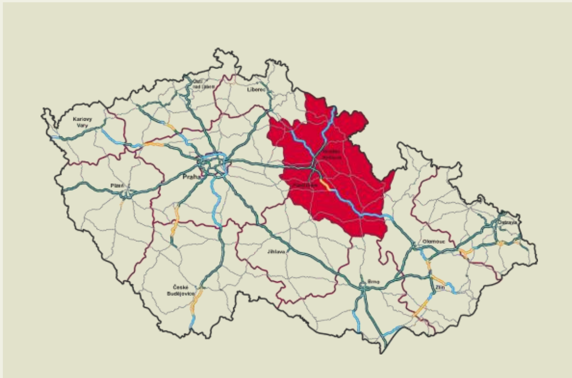


Current Rent
€5.50 –7.00 sq m/month

HRADEC KRÁLOVÉ AND PARDUBICE REGIONS

TOTAL STOCK	NEW SUPPLY Q2 2024	UNDER CONSTRUCTION	VACANCY RATE
471,300 sq m	0 sq m	0 sq m	5.6%

- The Hradec Králové Region is connected to Prague by the unfinished D11 highway, which, after its completion in 2028, will connect the region with Poland. The Pardubice and Hradec Králové Regions are also crossed by two European long-distance roads E67 (Prague-Warsaw) and E442 (Liberec-Olomouc). The planned and now partially under construction D35 highway will also pass through the regions.
- In June 2024, the unemployment rate was 2.8% in Pardubice Region and 3.0% in Hradec Králové Region.
- No new take-up was realized in Q2 2024.



Current Rent
€6.00 – 6.50 sq m/month

KARLOVY VARY REGION

TOTAL STOCK	NEW SUPPLY Q2 2024	UNDER CONSTRUCTION	VACANCY RATE
455,900 sq m	0 sq m	386,200 sq m	3.3%

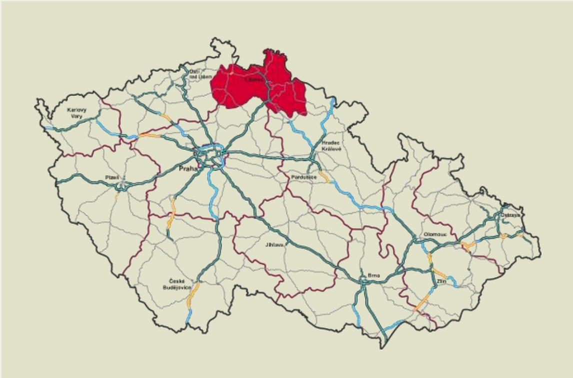
- The main road of the Karlovy Vary Region is the unfinished D6 highway (Cheb - Sokolov - Karlovy Vary), which should be completed in 2027. Currently, the highway is connected to Germany by road I/6.
- Most of the existing warehouse space is located the vicinity of Cheb, close to the D6 highway.
- The unemployment rate was 4.3% in June 2024.
- No new take-up was realized in Q2 2024.

Current Rent
€5.50 –5.80 sq m/month

LIBEREC REGION

TOTAL STOCK	NEW SUPPLY Q2 2024	UNDER CONSTRUCTION	VACANCY RATE
398,000 sq m	0 sq m	48,500 sq m	0.1%

- The region is connected to Prague via the D10 highway, which leads from Prague to Turnov, where it terminates and connects to the I / 35 expressway, which continues to the regional city of Liberec. Passing through the region is the European route E65 running in the direction, Prague, Harrachov, Poland. There are other first-class roads which connect the region with Germany.
- The unemployment rate was 3.9% in June 2024.
- In Q2 2024, gross take-up amounted to 9,100 sq m in a single new lease

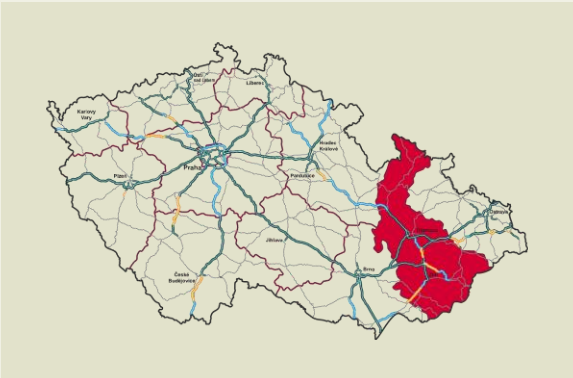


Current Rent
€6.00 – 7.00 **sq m/month**

OLOMOUC AND ZLÍN REGIONS

TOTAL STOCK	NEW SUPPLY Q2 2024	UNDER CONSTRUCTION	VACANCY RATE
686,400 sq m	7,500 sq m	82,600 sq m	2.7%

- The unfinished D1 highway passes through the region but is connected to the regional city of Olomouc by the fully completed D46 highway and the unfinished D35 highway (the so-called northern backbone route, which will connect Bohemia with Moravia). The main highway of the Zlín Region will be the D55 highway, which is under construction and after its completion in 2031 will connect Olomouc with the South Moravian Region through the territory of the Zlín Region. The D49 motorway, which will connect eastern Moravia with western Slovakia, is also under construction.
- In June 2024, the unemployment rate was 3.8% in Olomouc Region and 2.8% in Zlín Region.
- In Q2 2024, gross take-up amounted to 27,300 sq m represented by new leases only.



Current Rent
€4.70 –5.70 **sq m/month**

MORAVIA-SILESIA REGION

TOTAL STOCK	NEW SUPPLY Q2 2024	UNDER CONSTRUCTION	VACANCY RATE
1.25 m sq m	0 sq m	172,100 sq m	6.5%

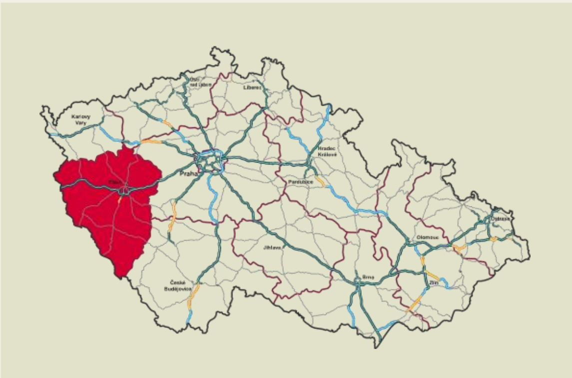
- The main regional road is the D1 highway, which connects the region with the entire country and Polish A1 highway. The unfinished D48 motorway also passes through the region. After its completion it will form part of the third capacity connection between the Czech Republic and Slovakia.
- The unemployment rate was 5.2% in June 2024.
- In Q2 2024, gross take-up amounted to 131,600 sq m represented by new leases only.

Current Rent
€5.30 – 5.90 sq m/month

PLZEŇ REGION

TOTAL STOCK	NEW SUPPLY Q2 2024	UNDER CONSTRUCTION	VACANCY RATE
1.75 m sq m	25,400 sq m	185,100 sq m	4.9%

- An important D5 highway is passing through the region. It leads from Prague around Plzeň to Germany.
- The Plzeň Region is the second largest logistics market in the Czech Republic after Prague, most of the existing warehouse space is located around the regional city of Plzeň.
- The unemployment rate was 2.8% in June 2024.
- In Q2 2024, gross take-up amounted to 62,100 sq m, out of which net take-up represented 52%.

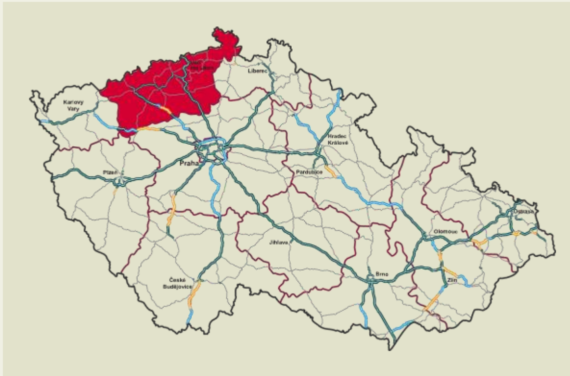


Current Rent
€5.35 –7.00 sq m/month

ÚSTÍ NAD LABEM REGION

TOTAL STOCK	NEW SUPPLY Q2 2024	UNDER CONSTRUCTION	VACANCY RATE
841,900 sq m	0 sq m	131,100 sq m	4.3%

- The region has an important transport position given by the link to the European Union. The D8 highway is passing through the region. It leads from Prague to the state border with Germany, where it links to the German A17 highway. Another strategic communication is the planned, partly under construction and operational D7 highway leading from Prague to Chomutov and further to the border with Germany. The Labe (Elbe) River is an important artery of shipping that connects the inland Czech Republic with the North Sea.
- The unemployment rate was 5.9% in June 2024.
- In Q2 2024, gross take-up amounted to 38,900 sq m represented by new leases only.



Current Rent
€5.35 – 6.20 sq m/month

VYSOČINA REGION

TOTAL STOCK	NEW SUPPLY Q2 2024	UNDER CONSTRUCTION	VACANCY RATE
260,200 sq m	0 sq m	43,000 sq m	0.0%

- The road and railway network in the region is strategic from the national as well as European point of view. The territory is a part of Central-European urbanised axis (Berlin – Prague - Vienna / Bratislava - Budapest). The D1 highway thus serves both the national and European transport.
- The unemployment rate was 2.7% in June 2024.
- No new take-up was realized in Q2 2024.

Current Rent
€5.60 – 6.30 sq m/month

DEFINITIONS

Total stock: Modern developer-led warehouse and industrial production space of A class quality (including built-in offices) owned by a developer or investor for lease excluding owner-occupied stock.

New supply: Completed newly built buildings that obtained a use permit in the given period.

Take-up: Total floor space let or pre-let to tenants over a specified period of time for a period longer than one year. Gross take-up also includes renegotiations and contract extensions. Net take-up includes new contracts, expansion of existing premises or pre-leases.

Current rent: Rent offered on the market in class A premises with an area of 4,000 - 5,000 sq m in a given period prior to incentives application.

Unemployment rate: Share of unemployed persons (per population aged 15-64) .

If you've got one about our research or you would like some property advice, we would love to hear from you.

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